



Ann M. Menke

Certified Public Accountant
A Professional Corporation

CITY OF WAYLAND

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2011

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City of Wayland

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brad Roth	Mayor	January 1, 2014
Kevin Fort	Council Member	January 1, 2012
Joshua Miller	Council Member	January 1, 2012
Karole Miller	Council Member	January 1, 2014
Greg Rich	Council Member	January 1, 2012
Melinda Ullery	Council Member	January 1, 2014
Beverly Conrad	City Clerk	Indefinite
Michael Vance	City Attorney	Indefinite
Terry Kaufman	Treasurer	Indefinite



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CITY OF WAYLAND

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Wayland, Iowa:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Wayland, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Wayland's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures, in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2010.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to verify the distribution by fund of the total fund balance at July 1, 2010, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Wayland as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated February 15, 2012 on my consideration of the City of Wayland's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over

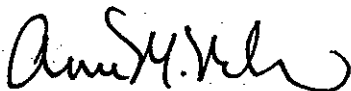
financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Budgetary comparison information on page 23 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

The City of Wayland, Iowa has omitted the Management's Discussion and Analysis information that is required to be presented for purposes of additional analysis. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wayland's basic financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Sincerely,



Ann M. Menke
Certified Public Accountant
Professional Corporation
February 15, 2012



Ann M. Menke

Certified Public Accountant
A Professional Corporation

BASIC FINANCIAL STATEMENTS

City of Wayland
Statement of Activities and Net Assets - Cash Basis
For the Year Ended June 30, 2011

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 97,664	\$ 18,646	\$ -	\$ -
Public works	119,265	46,460	86,560	-
Health and social services	25	-	-	-
Culture and recreation	34,437	2,110	-	-
Community and economic development	1,600	-	-	-
General government	51,166	-	-	-
Capital projects	111,800	-	-	5,022
Total governmental activities	<u>415,957</u>	<u>67,216</u>	<u>86,560</u>	<u>5,022</u>
Business type activities				
Water	146,657	189,131	-	-
Sewer	51,653	95,374	-	-
Gas	401,369	471,679	-	-
Debt service	21,909	-	-	-
Total business type activities	<u>621,588</u>	<u>756,184</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,037,545</u>	<u>\$ 823,400</u>	<u>\$ 86,560</u>	<u>\$ 5,022</u>
General Receipts:				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Bond proceeds				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (79,018)	\$ -	\$ (79,018)
13,755	-	13,755
(25)	-	(25)
(32,327)	-	(32,327)
(1,600)	-	(1,600)
(51,166)	-	(51,166)
(106,778)	-	(106,778)
<u>(257,159)</u>	<u>-</u>	<u>(257,159)</u>
-	42,474	42,474
-	43,721	43,721
-	70,310	70,310
-	(21,909)	(21,909)
-	<u>134,596</u>	<u>134,596</u>
\$ (257,159)	\$ 134,596	\$ (122,563)
118,041	-	118,041
65,399	-	65,399
79,096	-	79,096
19,128	-	19,128
60,000	8,626	68,626
19,358	(19,358)	-
<u>361,022</u>	<u>(10,732)</u>	<u>350,290</u>
103,863	123,864	227,727
309,183	859,849	1,169,032
<u>\$ 413,046</u>	<u>\$ 983,713</u>	<u>\$ 1,396,759</u>
\$ 129,633	\$ -	\$ 129,633
(17,248)	-	(17,248)
-	1,896	1,896
(1,707)	-	(1,707)
302,368	981,817	1,284,185
<u>\$ 413,046</u>	<u>\$ 983,713</u>	<u>\$ 1,396,759</u>

See notes to financial statements.

City of Wayland
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the Year Ended June 30, 2011

	General	Urban Renewal Tax Increment	Other Non Major Governmental Funds	Total
Receipts:				
Property tax	\$ 118,041	\$ -	\$ -	\$ 118,041
Tax increment financing	-	65,399	-	65,399
Other city taxes	81,166	-	-	81,166
Licenses and permits	1,175	-	-	1,175
Use of money and property	17,895	-	3,343	21,238
Intergovernmental	5,022	-	88,810	93,832
Charges for services	46,000	-	-	46,000
Special assessments	-	-	-	-
Miscellaneous	13,611	-	-	13,611
Total receipts	282,910	65,399	92,153	440,462
Disbursements:				
Operating:				
Public safety	97,664	-	-	97,664
Public works	68,071	-	51,194	119,265
Health and social services	25	-	-	25
Culture and recreation	34,437	-	-	34,437
Community and economic development	-	-	1,600	1,600
General government	51,166	-	-	51,166
Debt service	-	-	-	-
Capital projects	-	96,609	15,191	111,800
Total disbursements	251,363	96,609	67,985	415,957
(Deficiency) excess of receipts				
(Under) over disbursements	31,547	(31,210)	24,168	24,505
Other financing sources (uses)				
Bond proceeds	-	60,000	-	60,000
Operating transfers in	20,000	90,000	13,147	123,147
Operating transfers out	(22,065)	(66,280)	(15,444)	(103,789)
Total other financing sources	(2,065)	83,720	(2,297)	79,358
Net change in cash balances	29,482	52,510	21,871	103,863
Cash balances beginning of year	150,813	(69,758)	228,128	309,183
Cash balances end of year	\$ 180,295	\$ (17,248)	\$ 249,999	\$ 413,046
Cash Basis Fund Balances				
Restricted for:				
Urban renewal purposes	\$ -	\$ (17,248)	\$ -	\$ (17,248)
Streets	-	-	129,633	129,633
Other purposes	-	-	(1,707)	(1,707)
Unassigned	180,295	-	122,073	302,368
Total cash basis fund balances	\$ 180,295	\$ (17,248)	\$ 249,999	\$ 413,046

See notes to financial statements.

City of Wayland
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the Year Ended June 30, 2011

	Enterprise Funds				Total
	Water	Sewer	Gas	Other Non Major Proprietary Funds	
Operating receipts:					
Charges for services	\$ 186,281	\$ 95,374	\$ 468,814	\$ 5,715	\$ 756,184
Intergovernmental	-	-	-	-	-
Total operating receipts	186,281	95,374	468,814	5,715	756,184
Operating disbursements:					
Business type activities	134,501	51,653	396,479	8,420	591,053
Total operating disbursements	134,501	51,653	396,479	8,420	591,053
(Deficiency) excess of operating receipts (under) over operating disbursements	51,780	43,721	72,335	(2,705)	165,131
Non-operating receipts (disbursements)					
Debt service	-	-	-	(21,909)	(21,909)
Capital projects	-	-	-	(8,626)	(8,626)
Total other financing sources	-	-	-	(30,535)	(30,535)
(Deficiency) excess of receipts (Under) over disbursements	51,780	43,721	72,335	(33,240)	134,596
Other financing sources (uses)					
Bond proceeds	-	-	-	8,626	8,626
Operating transfers in	1,663	2,008	115,021	26,112	144,804
Operating transfers out	(20,950)	(32,012)	(111,200)	-	(164,162)
Total other financing sources	(19,287)	(30,004)	3,821	34,738	(10,732)
Net change in cash balances	32,493	13,717	76,156	1,498	123,864
Cash balances beginning of year	106,972	99,498	596,833	56,546	859,849
Cash balances end of year	<u>\$ 139,465</u>	<u>\$ 113,215</u>	<u>\$ 672,989</u>	<u>\$ 58,044</u>	<u>\$ 983,713</u>
Cash Basis Fund Balances					
Restricted for debt service	\$ -	\$ -	\$ -	\$ 1,896	\$ 1,896
Unrestricted	139,465	113,215	672,989	56,148	981,817
Total cash basis fund balances	<u>\$ 139,465</u>	<u>\$ 113,215</u>	<u>\$ 672,989</u>	<u>\$ 58,044</u>	<u>\$ 983,713</u>

See notes to financial statements.

City of Wayland
Notes to Financial Statements
For the Year Ended June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Wayland is a political subdivision of the State of Iowa located in Henry County. It was first incorporated in 1890 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, and gas utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Wayland has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific burdens on the City. The City of Wayland has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization

The City participates in jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following board: Wayland Economic Development Board.

B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets - Cash Basis reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets – Cash Basis presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components categories:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

City of Wayland
Notes to Financial Statements
For the Year Ended June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets – Cash Basis demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor governmental or nonmajor proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

City of Wayland
Notes to Financial Statements
For the Year Ended June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise, Gas Fund accounts for the operation and maintenance of the City's gas system.

C. Measurement Focus and Basis of Accounting

The City of Wayland maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

City of Wayland
Notes to Financial Statements
For the Year Ended June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Governmental Cash Basis Fund Balances (Continued)

Restricted – Amounts restricted to specific purposes when constraints placed on the use of resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2 – CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

**City of Wayland
Notes to Financial Statements
For the Year Ended June 30, 2011**

NOTE 3 – BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for water and sewer revenue bonds and the urban renewal tax increment financing revenue notes are as follows:

Ending June 30,	Revenue Bonds		Urban Renewal Tax Increment Financing Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$18,000	\$4,379	\$11,524	\$1,217	\$29,524	\$5,596
2013	65,750	3,818	11,755	986	77,505	4,804
2014	20,000	3,224	11,995	745	31,995	3,969
2015	7,000	2,600	12,239	501	19,239	3,101
2016	7,000	2,372	12,487	253	19,487	2,625
2017 - 2021	39,000	8,255	0	0	39,000	8,255
2022 - 2026	27,000	1,755	0	0	27,000	1,755
Total	\$183,750	\$26,403	\$60,000	\$3,702	\$243,750	\$30,105

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$183,000 of sewer revenue bonds issued in July 1994 and \$147,000 of sewer revenue bonds issued in July 2004. Proceeds from the bonds provided financing for the construction of improvements to the sewer treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2024. Annual principal and interest payments on the bonds are expected to require less than 25% of net receipts. The total principal and interest remaining to be paid on the bonds is \$163,403. For the current year, principal and interest paid and total customer net receipts were \$21,909 and \$95,374, respectively.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- a. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on future earnings of the funds.
- b. An amount equal to 1/6th of the installment of interest coming due on the next interest payment date on the then outstanding bonds, plus an amount equal to 1/12th of the installment of principal coming due on such bonds shall be paid into the Sinking Fund monthly until the full amount of such installment is on deposit in the Sinking Fund.

**City of Wayland
Notes to Financial Statements
For the Year Ended June 30, 2011**

NOTE 3- BONDS AND NOTES PAYABLE (Continued)

Revenue Bonds (Continued)

- c. There shall be created a special fund to be known as the Surplus Fund into which there shall be set apart and paid all of the Net Revenues remaining after first making the required payments into the Sinking Fund. All money credited to the Surplus Fund shall be transferred and credited to the Sinking Fund whenever necessary to prevent or remedy a default in the payment of the principal of or interest on the Bonds.
- d. As long as the Sinking Fund has the full amounts required to be deposited therein by the Outstanding Note Resolution, any balance in the Surplus Fund may be expended by the City in such manner as the Council, or such other duly constituted body as may be charged with the operation of the Utility, may from time to time direct.

The City has also pledged future water customer receipts, net of specified operating disbursements, to repay \$100,000 of water revenue bonds issued in December 2009. Proceeds from the bonds provided financing for the planning and design phase of the water improvement project. The bonds are payable solely from water customer net receipts and are payable in 2013. This bond is temporary financing and will be repaid with permanent financing when the water improvement project is complete. The City has taken draws of \$46,750 of the \$100,000 bond. The City may borrow the remaining \$53,250 if it needs to. The total principal and interest remaining to be paid on the bonds is \$46,750. For the current year, principal and interest paid and total customer net receipts were \$0 and \$186,281, respectively.

Urban Renewal Tax Increment Financing Revenue Note

The City entered into a \$60,000 note to be paid with Urban Renewal Tax Increment Financing for improvements on the Jackson Street Paving Project. The note is payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the note. The proceeds of the urban renewal tax increment financing note shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The note is not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the loan is \$63,702, payable through June, 2016. There was no interest paid on the note for the current year. Total TIF receipts were \$65,399 for the year.

City of Wayland
Notes to Financial Statements
For the Year Ended June 30, 2011

NOTE 4 – DEFERRED COMPENSATION PLAN

The City of Wayland established a Franklin Templeton 403B Employer Plan in August, 1998 where all full time employees who have six months of service can contribute to a tax deferred plan. The City will provide matching contributions in an amount equal to 100% of the salary reduction up to the first 3% of such participant's compensation. The amount the City paid for these contributions in the year ended June 30, 2011 was \$3,724.

NOTE 5 – INTERFUND LOANS

The City of Wayland's Gas Fund loaned money to the Sewer Fund, Water Fund, Economic Development Fund, and Urban Renewal Tax Increment Financing Fund (TIF) over a period from 1992 through 2011 in the total amount of \$990,000. These funds are being repaid to the Gas Fund annually by fund transfers. The current year's fund transfers totaled \$89,300. The remaining unpaid balance at June 30, 2011 is \$574,900. The payment schedule is described below:

Year Ended June 30.	Amount
2012	\$ 96,300
2013	173,300
2014	85,300
2015	70,000
2016	60,000
2017	60,000
2018	20,000
2019	<u>10,000</u>
Total	<u>\$ 574,900</u>

NOTE 6 – PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.5% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2011 was \$18,717, equal to the required contribution for the year.

City of Wayland
Notes to Financial Statements
For the Year Ended June 30, 2011

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 3 active members in the plan. Retired participants must be age 55 or older at retirement. There were no retired participants on the plan at June 30, 2011.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees. Retirees who choose to remain on the plan are required to pay the full cost of the premium to the City each month. The City then remits those premiums to Wellmark.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$533 for single coverage and \$1,311 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$38,015 and plan members eligible for benefits contributed \$1,350 to the plan.

NOTE 8 – COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payments payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 6,301
Sick leave	<u>38,539</u>
Total	<u>\$44,840</u>

This liability has been computed based on rates of pay in effect at June 30, 2011.

NOTE 9 – DEFICIT FUND BALANCES

The Community Beautification Fund had a deficit balance of \$1,707 and the Urban Renewal Tax Increment Fund (TIF) had a deficit balance of \$17,249 at June 30, 2011. The deficits will be eliminated upon receipt of proceeds of sale of land and Urban Renewal Tax Increment Funds.

City of Wayland
Notes to Financial Statements
For the Year Ended June 30, 2011

NOTE 10- INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
General Fund	Gas Fund	\$ 20,000
Capital Projects Fund	Gas Fund	1,200
Urban Renewal Tax Increment Fund	Gas Fund	90,000
Capital Projects Fund	Sewer Utility Fund	600
Capital Projects Fund	Water Fund	1,200
Capital Projects Fund	General Fund	10,147
Water Fund	General Fund	1,663
Sewer Utility Fund	General Fund	2,008
Gas Fund	General Fund	8,247
Sewer Improvements	Sewer Utility Fund	4,104
Sewer Sinking	Sewer Utility Fund	22,008
Gas Fund	Sewer Utility Fund	5,300
Gas Fund	Water Fund	19,750
Gas Fund	Capital Projects Fund	15,444
Gas Fund	Urban Renewal Tax Increment Fund	66,280
Total		<u>\$ 267,951</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE 11 - COMMITMENTS

On October 4, 2006, the City of Wayland entered into a 28E agreement with the Vision Iowa Board and the Waco Community School District for an all weather walking/running track. The City is to pay \$10,000 over a period of five years to the Waco All Weather Track Foundation for this shared use agreement. The City paid \$2,000 for these services in the year ended June 30, 2011. This agreement shall be in effect for ten years and automatically renew for an additional ten year period, unless sixty day notice prior to the renewal date is provided.

The City of Wayland entered into a 28E agreement with the Jefferson Township, Henry County to provide fire protection. The agreement provides for sharing operating expenses and joint use of equipment and facilities, so that fire protection and emergency services are provided efficiently to the citizens of the City of Wayland and Jefferson Township.

City of Wayland
Notes to Financial Statements
For the Year Ended June 30, 2011

NOTE 12 – RISK MANAGEMENT

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2011 were \$19,548.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

**City of Wayland
Notes to Financial Statements
For the Year Ended June 30, 2011**

NOTE 12 – RISK MANAGEMENT (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 13 – SUBSEQUENT EVENTS

The Iowa Department of Economic Development (IDED) awarded the city of Wayland a Community Development Block Grant (CDBG) in an amount not to exceed \$255,000 for water distribution system improvements with a start date of June 22, 2011.

Management has evaluated subsequent events through February 15, 2012, the date which the financial statements were available for issue.



Ann M. Menke

Certified Public Accountant
A Professional Corporation

REQUIRED SUPPLEMENTARY INFORMATION

City of Wayland
Budgetary Comparison Schedule
of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts			
Property tax	\$ 118,041	\$ -	\$ 118,041
Tax increment financing collections	65,399	-	65,399
Other city taxes	81,166	-	81,166
Licenses and permits	1,175	-	1,175
Use of money and property	21,238	-	21,238
Intergovernmental	93,832	-	93,832
Charges for services	46,000	756,184	802,184
Miscellaneous	13,611	-	13,611
Total receipts	440,462	756,184	1,196,646
Disbursements			
Public safety	97,664	-	97,664
Public works	119,265	-	119,265
Health and social services	25	-	25
Culture and recreation	34,437	-	34,437
Community and economic development	1,600	-	1,600
General government	51,166	-	51,166
Capital projects	111,800	-	111,800
Business type activities	-	621,588	621,588
Total disbursements	415,957	621,588	1,037,545
Excess of receipts over disbursements	24,505	134,596	159,101
Other financing sources, net	79,358	(10,732)	68,626
Excess of receipts and other financing sources over disbursements and other financing uses	103,863	123,864	227,727
Balance, beginning of year	309,183	859,849	1,169,032
Balance, end of year	\$ 413,046	\$ 983,713	\$ 1,396,759

Budgeted Amounts		Final to
Original	Final	Net Variance
\$ 118,261	\$ 118,261	\$ (220)
66,280	126,280	(60,881)
77,068	78,418	2,748
375	1,230	(55)
21,000	11,500	9,738
325,885	92,280	1,552
953,836	967,386	(165,202)
8,000	12,500	1,111
<u>1,570,705</u>	<u>1,407,855</u>	<u>(211,209)</u>
100,500	105,900	8,236
121,955	143,375	24,110
25	25	-
36,471	47,171	12,734
10,500	10,500	8,900
56,992	62,700	11,534
185,780	194,039	82,239
<u>1,204,368</u>	<u>839,918</u>	<u>218,330</u>
<u>1,716,591</u>	<u>1,403,628</u>	<u>366,083</u>
(145,886)	4,227	154,874
<u>158,100</u>	<u>20,100</u>	<u>48,526</u>
12,214	24,327	203,400
<u>1,030,068</u>	<u>1,169,032</u>	<u>0</u>
<u><u>\$1,042,282</u></u>	<u><u>\$1,193,359</u></u>	<u><u>\$ 203,400</u></u>

See accompanying independent auditor's report.

City of Wayland
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted disbursements by \$312,963. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted in any of the nine functions.



Ann M. Menke

Certified Public Accountant
A Professional Corporation

OTHER SUPPLEMENTARY INFORMATION

City of Wayland
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the Year Ended June 30, 2011

	Special Revenue		Capital Projects	
	Road Use Tax	Community Beautification	Equipment And Housing	Total
Receipts:				
Use of money	\$ -	\$ -	\$ 3,343	\$ 3,343
Intergovernmental	86,560	-	2,250	88,810
Miscellaneous	-	-	-	-
Total receipts	86,560	-	5,593	92,153
Disbursements:				
Operating:				
Community and economic development	-	1,600	-	1,600
Public works	51,194	-	-	51,194
Capital projects	-	-	15,191	15,191
Total disbursements	51,194	1,600	15,191	67,985
(Deficiency) excess of receipts				
(Under) over disbursements	35,366	(1,600)	(9,598)	24,168
Other financing sources (uses)				
Sale of capital assets	-	-	-	-
Operating transfers in	-	-	13,147	13,147
Operating transfers out	-	-	(15,444)	(15,444)
Total other financing sources	-	-	(2,297)	(2,297)
Net change in cash balances	35,366	(1,600)	(11,895)	21,871
Cash balances beginning of year	94,267	(107)	133,968	228,128
Cash balances end of year	\$ 129,633	\$ (1,707)	\$ 122,073	\$ 249,999
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ 129,633	\$ -	\$ -	\$ 129,633
Other purposes	-	(1,707)	-	(1,707)
Unassigned	-	-	122,073	122,073
Total cash basis fund balances	\$ 129,633	\$ (1,707)	\$ 122,073	\$ 249,999

See accompanying independent auditor's report.

City of Wayland
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Proprietary Funds
As of and for the Year Ended June 30, 2011

	Sewer Improvements	Sewer Sinking	Water Improvements	Water Deposits	Gas Deposits	Total
Operating receipts:						
Charges for service	\$ -	\$ -	\$ -	\$ 2,850	2,865	\$ 5,715
Intergovernmental	-	-	-	-	-	-
Total receipts	-	-	-	2,850	2,865	5,715
Operating disbursements:						
Business type activities	-	-	-	3,530	4,890	8,420
Total operating disbursements	-	-	-	3,530	4,890	8,420
(Deficiency) excess of operating receipts (under) over operating disbursements	-	-	-	(680)	(2,025)	(2,705)
Non-operating receipts (disbursements)						
Debt service	-	(21,909)	-	-	-	(21,909)
Capital projects	-	-	(8,626)	-	-	(8,626)
Total disbursements	-	(21,909)	(8,626)	-	-	(30,535)
(Deficiency) excess of receipts (Under) over disbursements	-	(21,909)	(8,626)	(680)	(2,025)	(33,240)
Other financing sources (uses)						
Proceeds of long-term debt	-	-	8,626	-	-	8,626
Operating transfers in	4,104	22,008	-	-	-	26,112
Operating transfers out	-	-	-	-	-	-
Total other financing sources	4,104	22,008	8,626	-	-	34,738
Net change in cash balances	4,104	99	-	(680)	(2,025)	1,498
Cash balances beginning of year	32,929	1,797	-	7,485	14,335	56,546
Cash balances end of year	\$ 37,033	\$ 1,896	\$ -	\$ 6,805	\$ 12,310	\$ 58,044
Cash Basis Fund Balances						
Restricted for debt service	\$ -	\$ 1,896	\$ -	\$ -	\$ -	\$ 1,896
Unassigned	37,033	-	-	6,805	12,310	56,148
Total cash basis fund balances	\$ 37,033	\$ 1,896	\$ -	\$ 6,805	\$ 12,310	\$ 58,044

See accompanying independent auditor's report.

City of Wayland
Schedule of Indebtedness
For the Year Ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year
Revenue bonds:					
Water Improvements	Dec. 1, 2009	0.00%	\$100,000	\$ 38,124	\$ 8,626
Sewer Construction	July 21, 1994	3.00%	\$ 183,000	\$ 48,000	\$ -
Sewer Construction	July 7, 2004	3.00%	\$ 147,000	<u>\$ 106,000</u>	<u>\$ -</u>
Total revenue bonds				<u>\$ 192,124</u>	<u>\$ 8,626</u>
Urban renewal tax increment financing (TIF) notes	Nov. 17, 2010	2.00%	\$ 60,000	<u>\$ -</u>	<u>\$60,000</u>

Schedule 3

Redeemed During Year	Balance End of Year	Interest Paid	Interest due and unpaid
\$ -	\$ 46,750	\$ -	\$ -
\$ 11,000	\$ 37,000	\$ 1,464	\$ -
<u>\$ 6,000</u>	<u>\$ 100,000</u>	<u>\$ 3,445</u>	<u>\$ -</u>
<u>\$ 17,000</u>	<u>\$ 183,750</u>	<u>\$ 4,909</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

City of Wayland
Bond and Note Maturities
For the Year Ended June 30, 2011

Year Ending June 30,	Sewer Construction Issued Jul. 21, 1994		Sewer Construction Issued Jul. 7, 2004		Water Improvements Issued Dec. 2, 2009		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2012	3.00%	\$ 12,000	3.00%	\$ 6,000	0.00%	\$ -	\$ 18,000
2013	3.00%	12,000	3.00%	7,000	0.00%	46,750	65,750
2014	3.00%	13,000	3.00%	7,000			20,000
2015		-	3.00%	7,000			7,000
2016		-	3.00%	7,000			7,000
2017		-	3.00%	7,000			7,000
2018		-	3.00%	8,000			8,000
2019		-	3.00%	8,000			8,000
2020		-	3.00%	8,000			8,000
2021		-	3.00%	8,000			8,000
2022		-	3.00%	9,000			9,000
2023		-	3.00%	9,000			9,000
2024		-	3.00%	9,000			9,000
Total		<u>\$ 37,000</u>		<u>\$ 100,000</u>		<u>\$ 46,750</u>	<u>\$ 183,750</u>

Urban Renewal Tax
Increment Financing
(TIF) Revenue Notes
Issued Nov. 17, 2010

Year Ending June 30,	Interest Rates	Amount
2012	2.00%	\$ 11,524
2013	2.00%	11,755
2014	2.00%	11,995
2015	2.00%	12,239
2016	2.00%	12,487
Total		<u>\$ 60,000</u>

Ann M. Menke

Certified Public Accountant
A Professional Corporation

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council
Wayland, Iowa

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Wayland, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated February 15, 2012. My report expressed qualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Wayland's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the City of Wayland's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Wayland's internal control over financial reporting.

My consideration of internal controls over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item 2011-I-A to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material

misstatement of the City of Wayland's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Wayland's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

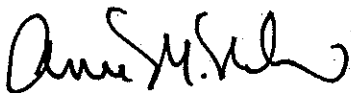
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Wayland's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the City's responses, I did not audit the City of Wayland's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Wayland and other parties to whom the City of Wayland may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Wayland during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Sincerely,



Ann M. Menke
Certified Public Accountant
February 15, 2012

**City of Wayland
Schedule of Findings
For the Year Ended June 30, 2011**

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2011-I-A

Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one person has control over each of the following areas for the City:

1. Accounting system – performing all general accounting functions and custody of assets.
2. Cash – preparing bank account reconciliations, initiating cash receipts and disbursement functions and handling and recording cash.
3. Investments – detailed record keeping, custody of investments and reconciling earnings.
4. Long term debt – recording and reconciling.
5. Receipts – collecting, depositing, journalizing, reconciling, and posting.
6. Utility receipts – billing, collecting, depositing, and posting.
7. Disbursements – check writing, reconciling, and posting.
8. Payroll – preparation, distribution, and posting.
9. Financial reporting – preparing, reconciling, and distributing.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the City should continue to review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Evidence of independent reviews should be indicated by initials of the independent reviewer.

Response – We will consider this.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part II: Other Findings Related to Required Statutory Reporting:

2011-II-A

Certified Budget – Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted.

**City of Wayland
Schedule of Findings
For the Year Ended June 30, 2011**

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

2011-II-B

Questionable Disbursements – No expenditures for parties, banquets, or other entertainment for employees were noted that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

2011-II-C

Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2011-II-D

Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Joshua Miller, Council Member, Owner of Miller & Sons LTD	Parts and Supplies	\$1,116
Brad Roth, Mayor, Owner of Brad's Implement	Parts and Supplies and Stone Roller	\$3,530

The Mayor's business purchased a stone roller at an auction for \$2,400 and the city reimbursed Brad's Implement that same amount for the stone roller. As a result, the transactions with Mayor and Council Member do not appear to represent conflicts of interest since total transactions with each individual, without the reimbursement for the item purchased at auction, were less than \$2,500 during the fiscal year in accordance with Chapter 362.5(3)(j) of the Code of Iowa.

2011-II-E

Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

**City of Wayland
Schedule of Findings
For the Year Ended June 30, 2011**

Part IV Other Findings Related to Required Statutory Reporting: (Continued)

2011-II-F

Council Meetings – No transactions were found that I believe should have been approved in the Council minutes but were not.

2011-II-G

Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

2011-II-H

Revenue Bonds/Notes – No instances of noncompliance with the revenue bond resolutions were noted.

2011-II-I

Financial Condition – The Community Beautification and Urban Renewal Tax Increment Funds had deficit balances at June 30, 2011 of \$1,707 and \$17,249 respectively.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – The deficit in the Community Beautification fund will be eliminated by the sale of land. The Urban Renewal Tax Increment Fund deficit will be eliminated by future tax collections.

Conclusion – Response accepted.

2011-II-J

Local Option Tax – The City recorded local option tax collections in the General Fund rather than establishing a separate Special Revenue Fund as required by the Code of Iowa.

Recommendation – The City should establish a separate Special Revenue Fund for local option tax revenues and record the related transactions in the fund.

Response – We will establish a separate Special Revenue Fund and record the related transactions in this fund.

Conclusion – Response accepted.

City of Wayland

Audit Staff

The audit was performed by:

Ann M. Menke, CPA

Carol Ross, CPA

Betty Thomas CPA

Toni Ramsey, Staff Auditor

Kristy Adams, Staff Auditor

